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REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS

Proposed programme budget outline for the biennium 1998-1999

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the proposed programme budget outline for the biennium 1998-1999 (A/51/289). During its consideration of the report, the Advisory Committee met with representatives of the Secretary-General.

2. The Advisory Committee points out that the report of the Secretary-General attempts to change existing methodology and practice in a number of areas; this has not been fully explained and, as can be seen in the paragraphs below, this has made it difficult for the Advisory Committee to arrive at definitive recommendations without further policy proposals from the Secretary-General and guidance from the General Assembly. Moreover, some of the projections appear arbitrary since they lack adequate justification.

3. In his report, the Secretary-General proposes a preliminary estimate of resources for the 1998-1999 biennium, expressed at 1996-1997 rates, at $2,429.4 million as arrived at in the table following paragraph 2 of his report (A/51/289). The Advisory Committee requested the latest rates for 1998-1999 and was informed that on this basis the preliminary estimates could be recosted at $2,498.5 million as compared to $2,559.0 million reflected in paragraph 3 of the Secretary-General's report.

4. In paragraph 6 of his report, the Secretary-General has proposed the inclusion of an amount of $85 million for the continuation of existing special missions or for the establishment of new ones in the 1998-1999 biennium, while at the same time recognizing that the nature of such activities is generally

unpredictable and that the extension of such missions or the establishment of new ones has traditionally been secured through additional appropriations voted by the General Assembly.

5. The Advisory Committee points out that projections of this nature have traditionally not been included in the budget outline for the very reasons mentioned above. In this connection, the Advisory Committee recalls its report on the proposed budget outline for the biennium 1994-1995 (A/47/7/Add.9, para. 7). The Advisory Committee believes that instead of proposing this change in procedure in the context of the proposed budget outline, the Secretary-General should first have submitted a policy paper showing the relationship between the new proposals and the existing procedures for examination by legislative bodies with a view to making informed decisions. Under the circumstances, the Advisory Committee does not pronounce itself on this issue at this time. It requests the Secretary-General, prior to the submission of his proposed programme budget for 1998-1999, to submit policy proposals.

6. Furthermore, in paragraph 7 of his report, the Secretary-General has proposed a change in the treatment of expenditures relating to jointly financed activities. As indicated in the Secretary-General's report, expenditures relating to the International Civil Service Commission (ICSC), the Joint Inspection Unit (JIU) and the services provided by the United Nations at the Vienna International Centre would be presented on a net basis. These estimates have heretofore been presented in the programme budget on a gross basis under the relevant expenditure sections and the corresponding income reflected under income section 2. It is proposed that, starting with the 1998-1999 biennium, these expenditures would be reflected in the expenditure sections of the programme budget on a net basis. In other words, only the United Nations share of the jointly financed activities would be reflected; the amount of $43.2 million would therefore not represent a real decrease in the overall budget since under the current procedure this amount is recovered in any case and shown under income section 2.

7. On inquiry, the Advisory Committee was informed that the budgets of these entities (ICSC, JIU) would be submitted to the General Assembly for approval and that this change in presentation would not affect the way in which resources for these entities are administered. Notwithstanding this, the Advisory Committee believes that the Secretary-General should seek approval prior to submission of the proposed programme budget in 1998-1999 by way of a policy paper detailing implications, if any, with respect to the statutes of these entities.

8. In paragraph 5 of his report, the Secretary-General has proposed a reduction of $204.7 million, including a reduction of some 1,000 posts and an average vacancy rate of 6.4 per cent for Professional and General Service categories. The Advisory Committee recalls that in the Secretary-General's reports (A/C.5/50/57 and Add.1) an average vacancy for the biennium of nearly 1,000 posts had been forecast. This vacancy was central to the achievement of the savings called for in General Assembly resolution 50/214 of 23 December 1995. Furthermore, the Advisory Committee points out that the Assistant Secretary-General for Human Resources Management had informed the Fifth Committee on 6 December 1996, that as at October 1996 there were 8,572 staff with contracts of one year or more against 10,021 posts authorized on the

regular budget. The Advisory Committee points out that the bulk of the 1,000 posts referred to in the Secretary-General's report are already unfunded and therefore very little resources will be released by the deletion of posts that have already been kept vacant.

9. In addition, after the deletion of the 1,000 posts, the Secretary-General has proposed to maintain an average vacancy rate of 6.4 per cent during the biennium 1998-1999. The Advisory Committee points out that such a rate does not reflect difficulties in recruitment, rather it represents a deliberate management decision to keep a certain level of posts vacant. In the opinion of the Advisory Committee this use of vacancy rates makes the budget process less transparent and the management of staff resources more difficult. It could also have an adverse impact on mandated programmes and activities.

10. The representatives of the Secretary-General were not able to justify the level of resources that would be realized for 1998-1999 through intensified efforts for increased productivity, streamlined structures and work processes that have been pursued on a sustained basis as indicated in paragraph 5 of the Secretary-General's report. Despite several requests, the Advisory Committee was not provided with a breakdown of the items comprising the proposed amount of $204.7 million. The Advisory Committee requests that, in the context of the proposed programme budget for 1998-1999, the General Assembly be provided with the specific components of this reduction as well as an explanation of the practical implications of this further reduction on the mandated programmes.

11. The Advisory Committee notes from paragraph 4 of the Secretary-General's report that a provision of $8.0 million relating to one-time costs in 1996-1997 would not be required. On inquiry, the Committee was informed that these costs included those for the United Nations Conference on Human Settlements (Habitat II) as well as expenditures for equipment for the Department of Administration and Management. The Advisory Committee points out that expenditure for equipment as well as for conferences, while non-recurrent for a specific biennium, will invariably reappear in another biennium, that is, every budget will contain a non-recurrent element and it is unrealistic not to factor this into the budget outline.

12. As indicated in paragraph 12 of the Secretary-General's report, the contingency fund, approved at 0.75 per cent of the overall level of resources for the first outline, has been maintained at that level for all subsequent ones; it has always proved to be adequate to accommodate additional expenditures derived from legislative mandates not provided for in the proposed programme budget, as defined in resolutions 41/213 of 19 December 1986 and subsequent resolutions on the subject.

13. The Advisory Committee recalls that in its report (A/49/796), the Committee had requested the Secretary-General to submit information on the nature of expenses charged to the contingency fund in order to enable the Committee to review procedures for the use, operation and level of the fund.

14. On inquiry, the Advisory Committee was informed that for the biennium 1990-1991 the level of the contingency fund in United States dollars amounted to $15 million, of which $11.7 million was utilized by the close of the biennium.

For the biennium 1992-1993, the dollar amount of the fund was set at $18 million while the utilized amount was $6.3 million; for the biennium 1994-1995, the level of the contingency fund in dollar terms amounted to $20 million, with $18.4 million utilized by the end of the biennium. Of the $20.6 million set for the biennium 1996-1997, an amount of $5.2 million has been expended as of the date of the present report.

15. The Advisory Committee believes that the Secretary-General has used the experience of the first half of the biennium 1996-1997 to propose the level of the contingency fund at 0.25 per cent for the biennium 1998-1999, as indicated in paragraph 12 of his report. The Advisory Committee points out that the contingency fund covers the requirements derived from legislative mandates over a period of three years, namely the year in which the budget is considered and approved (the year prior to the start of the biennium) and the first and second years of the biennium. The Committee therefore questions the validity of using the experience of only one year to propose the level of the contingency fund. The Advisory Committee recommends that the level of the contingency fund for the biennium 1998-1999 continue to be set at 0.75 per cent of the overall level of resources, recosted at 1998-1999 rates.

16. The Advisory Committee points out that the Secretary-General's report does not address the impact on the level of resources of activities that were curtailed, deferred or postponed during the biennium 1996-1997. In addition, the Advisory Committee is especially concerned at the impact of reduction of resources for construction, alteration, improvement and maintenance projects under section 31 of the programme budget, as indicated in paragraph 16 and annex I of its report (A/51/7/Add.1) and requests that these issues be addressed in the context of the proposed programme budget for the biennium 1998-1999 as a matter of urgency.

17. In view of the observations contained in the paragraphs above, as well as the additional information required and the further reports requested, the Advisory Committee recommends that the General Assembly take note of the Secretary-General's proposed budget outline for the biennium 1998-1999 (A/51/289). Based on the additional information and reports requested, a more realistic projection of resources should emerge during the consideration of the proposed programme budget for the biennium 1998-1999, taking into account the decisions that the General Assembly will have reached by then on the various issues concerning the programme budget for the biennium 1996-1997.

18. In this connection, in addition to what has been requested in paragraphs 5 and 7 above, the following questions are of immediate relevance and should be addressed by the Secretary-General:

(a) Rates of exchange and inflation used in the outline;

(b) Outputs deferred, postponed or curtailed;

(c) Breakdown of $204.7 million in paragraph 5 of the Secretary-General's report;

(d) Amounts related to the proposed 6.4 per cent vacancy rate mentioned in paragraph 5 of the report;

(e) Breakdown of activities related to $8.0 million mentioned in paragraph 4 of the report;

(f) Impact of activities approved in 1996-1997 but which would continue in 1998-1999.